EXHIBIT 39
(Filed Under Seal)

Company Name: Smithfield Foods
Company Ticker: SFD US
Date: 2010-03-11
Event Description: Q3 2010 Earnings Call

Market Cap: 3,139.27
Current PX: 18.93
YTD Change($): +3.74
YTD Change(%): +24.621

Bloomberg Estimates - EPS
Current Quarter: 0.304
Current Year: -0.282
Bloomberg Estimates - Sales
Current Quarter: 3022.000
Current Year: 11666.750

Q3 2010 Earnings Call

Company Participants

- Keira Ullrich, Director of Investor Relations
- C. Larry Pope, President and Chief Executive Officer
- Robert W. Manly, IV, Executive Vice President and Chief Financial Officer
- Richard Poulson

Other Participants

- Christina McGlone
- Kenneth Goldman
- Gregory Van Winkle
- Farha Aslam
- Christine McCracken
- Akshay Jagdale
- Robert Moskow
- Kenneth Zaslow

MANAGEMENT DISCUSSION SECTION

Operator

Thank you, ladies and gentlemen for standing by. Welcome to the Smithfield Foods Third Quarter Fiscal 2010. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, instructions will be given at that time. [Operator Instructions]. As a reminder, this conference is being recorded.

I will now turn the conference over to our host, Keira Ullrich. Please go ahead.

Keira Ullrich, Director of Investor Relations

Good morning. Welcome to the conference call to discuss Smithfield Foods third quarter fiscal 2010 results. We would like to caution you that in today's call there may be forward-looking statements within the meaning of Federal Securities Laws.

In light of the risks and uncertainties involved, we encourage you to read the forward-looking information section of the company's 10-K for fiscal year 2009. You can access the 10-K and our press release on our website at smithfieldfoods.com.

On our call today are Larry Pope, President and Chief Executive Officer; Bo Manly, Chief Financial Officer and Dick Poulson, Executive Vice President. This is Keira Ullrich, Director of Investor Relations.

In order to provide the opportunity to as many analysts as possible to ask questions during the Q&A session later in our call, we request that you only ask one question. If you have another question, please get back in the queue.

Larry Pope will begin our call this morning with a review of operations. Larry?

C. Larry Pope, President and Chief Executive Officer

Thank you very much, Keira, and thank you, ladies and gentlemen, for joining the call. I am pleased this morning to come before you announcing that Smithfield Foods has returned to profitability.

It has been a very tough two years. For the third quarter we're reporting income from continuing operations of 37.3 million or $0.22 a share compared with a loss of 108.1 million or $0.75 a share last year in the third quarter. On a year-to-date basis we got a $96.8 million loss or $0.63 compared with 169.7, $1.21 loss at the first nine months of last year.

I hope you took note of the fact that we outlined several non-recurring items as part of the press release. They all net to zero, but as we discuss those in the narrative, they're important for your understanding and so we provided a table to give you that understanding, realizing that the top and the bottom are the same numbers, but to not be confusing.

It looks like the cycle in hog production has turned. We have been through a long period of prolonged losses in the live production side of the business; we've been talking about that for a long, long time. We have – we are seeing a period in which our costs are going down and our hog prices are moving up.

For the quarter as we indicated our average sales prices quarter-to-quarter were up for about 0.04 or $0.05 and our raising costs were down $0.10. That's very good for hog production and we're showing comparative operating results of a $55 million loss compared with 253 million in the third quarter of last year.

So these are very good comparisons, however for the third quarter we were still not at breakeven, $0.44 plus the premium we pay of about 46 compared to 51. We're still under water in the third quarter in terms of raising costs being above sales price, but it is sharply narrowed from the prior two-year period.

And as we are in our fourth quarter, many of you have seen that the hog market has continued to move up from the third quarter level and as of today we are profitable in our live production side of the business.

I think you all know in our hog raising we have made cuts in our sow herds. We have made more than a 13% reduction. That is flowing through and from that standpoint we think we've improved our operating environment there.

The performance at the farms has been good, I think we've talked about that now for some time. Many in the industry, if not all of us, have had very good performance of the sows and the feed conversions and the livability.

However, I must tell you of recent, the corn crop came in and some of you probably heard about these vomitoxins associated with some of this wet corn and these late harvests. This is having an impact on our operations and I understand from conversations in the industry it is affecting other people in the industry.

That has creeped into our costs at the end of the third quarter and is impacting our costs modestly in the fourth quarter. Mr. Manly will speak about that a little more fully in his comments, but I want to tell you that it is there. We are taking some very stringent efforts to minimize that impact, we are buying a lot more local corn and we're doing a lot more blending, blending that corn in with others in order to lessen the impact as much as we possibly can. However, I want to point out that that will be part of our cost analysis as we go into the fourth quarter, and it will probably be with us until this crop is fed out.

We are continuing to very critically evaluate our live production operations for cost improvements and we have some ideas and a plan that we are beginning to execute. It's fairly detailed, like our restructuring plan on the meat side that we think has a lot of promise. As many of you know in this business, those kinds of things on the live production side don't happen quite as quickly as they do on the meat side, and it will come out over a longer period of time. But I would tell you that we have some thoughts on a pretty good plan that we think will make us much more competitive even on the live production side.

The final note relative to hog production deals with the pending decision that the EPA is evaluating relative to increasing the blending rate of ethanol. That decision, as many of you know, has been delayed and is likely something will be decided here probably in our fiscal first quarter of next year. I don't expect it in the fourth quarter, and more

likely into the first quarter of next year. Anything there probably would adversely impact the corn markets going forward. We are aware of that.

We have taken some protection there, as you know we take advantage of the futures markets regularly to protect ourselves on the input side. I would tell you that we've taken some pretty good measures to there. So I'm not so worried about that on a near-term basis, but the fact that the government would increase the blending rate from 10 to 15% or something approaching that is not good for the input side of this raising business. And while we can get some near-term production, longer-term protection it's not as easy.

On the fresh meat side of the business if you look at the operating profits you see they're down. However, there are restructuring charges in both of the years that you need to account for there.

I am satisfied with our fresh pork operations and things are just fine there. We have closed, just after the end of the third fiscal quarter at the end o January, we did close the last plant in Smithfield, Virginia, part of our restructuring. That is helping our fresh meat results already in the fourth quarter as the result of that merging of the two plants in Smithfield.

I'm sure you've all seen by now that we've announced the closing of the Sioux City, Iowa plant, which was a very inefficient plant in the Smithfield system. I think we made some pretty open comments about that in the press release we made. It's a decision we have been evaluating for quite some time and was part of the original pork restructuring plan, although we struck that realizing that the fresh pork was really pretty good and that we would continue to operate that plant as long as it made sense.

As we move into tighter hog supplies and higher hog prices, the profitability on fresh pork will certainly be pressured over the near-term and we made the decision that it was the appropriate time now to make the tough decision to close that plant and to substantially what we believe improve our fresh meat results by eliminating a significant amount of commodity fresh pork that that plant has been producing and putting into the open market.

We are on schedule. By the end of Aprilthat plant will be closed and we will see – we will be picking up production a bit in our other plants, but a fair amount of that production will cease to exist in the Smithfield system.

So from the fresh pork side, the results are okay and I think going to get significantly better as a result of two fairly significant changes, one that just happened and the other one will happen in the fourth quarter. So I'm encouraged as I look at the fresh meat business.

You can't talk about fresh pork without talking about exports and I know all of you are interested about what's going on in the export markets. We have – our export numbers are actually pretty good and for the quarter we're about flat with the same quarter last year.

I know a lot of people were talking about exports being down. From Smithfield's standpoint, this is going to be our second best year ever in exports, and that's second only to last year when we had some of the remainder of the carcasses that we shipped into China and we're having our second best year in spite of the fact that the Chinese mainland market has been closed for the entire fiscal year.

Beyond that, many of you know that the Russian market has been closed of recent. I am encouraged on both of those markets. They are both making the proper signals, sending the proper signals and I think our trade representatives are doing a very good job in attempting to get those markets back open. We're pretty active in that area, and I'm optimistic on something in Russia even almost imminently and I am optimistic that something in China will happen before the end of the fourth quarter. I think I made those comments in the press release.

Clearly I don't have the decision-making capacity to make that happen, but I think the signals are correct and I think that the momentum is there to get these markets back open. They do help fresh pork results.

They are important to our fresh pork results, given so much of this business that goes out of the country these days. And so given that, combined with what I think we're doing on our two plant operations, I think fresh pork is going forward pretty nicely.

Turning our attention to packaged meats, that's always the highlight of my discussion. We had another very good quarter in our packaged meats business. On a year-to-year basis it looks up about $30 million.

Again, you have to account for restructuring charges largely in last year and on a year-to-year basis, it's actually down a bit, just a touch. As I look at that business with the spike that occurred in the raw material input prices in the second half of the third quarter, I can't say anything, but I'm pleased as punch with the job that these are guys are doing on the packaged meat side of the business.

The restructuring that the company announced, the pork restructuring, is essentially finished. All of the plants have been closed. Inversely, all of the things that needed to be done have been accomplished, except we've got a little computer conversion with SAP in a couple of our operations that's going to be a little more drawn out into the summer.

But that's all that's really left in the pork restructuring; the actual shifting of all the operations has been accomplished on time and on budget. And George Richter and the pork group management teams have done an absolutely stellar job in the face of a very tough year combined with a massive fire at our Patrick Cudahy plant in Milwaukee, Wisconsin, they had to deal with those shifting of products at the very same time, and they deserve some credit for a job well done.

It is benefiting the quarter, not nearly to the extent of the $30 million a quarter we expect on a quarter-to-quarter basis going forward. We got about half of that this quarter. So we're still not at a run rate that's 125 million. However, we have nearly accomplished the $55 million in this fiscal year.

We will clearly meet that number for the year and we fully anticipate that the $125 million will be impacting – in fiscal 2011 we should be getting the full benefits of that. We did point out the fact that we've lost some volume in our processed meat side; that is true.

This is the result of capacity constriction that we did, we reduced it on purpose. We closed a large hotdog and luncheon meat plant in Florida, as well as we have continued to exercise sales discipline. All of the losses, or the vast majority of those were fully planned.

We are not surprised by the 7% reduction, in fact we knew that was going to happen and I think we told you that well in advance that would happen. I can report to you today that this business is very solid.

We are feeling some pressure on margin as we move into the fourth quarter as these higher raw materials work their way through our costing system and prices have to adjust. As you know, we have relationships with customers that are formula-based in some cases and as well just pricing. And when you have a sharp run up in raw material costs, the near-term effect can be downward pressure on your margins.

We are focused on this end of the business and I think it is well under control, and so I continue to look forward to that as a very strong area. We are turning our attention going forward to the sales and marketing effort on that side of the business for top line growth.

We've gotten the bottom line, we've gotten our cost in line, we've gotten our capacities right-sized and it's now time to pay attention to the top line. We told you a year ago we were not going to focus on that. We are now focused back on that and there's s a lot of opportunity on the sales and marketing side of this business, and that's where this company is beginning to turn their attention.

Internationally, the numbers looked comparable. There is a $12 million charge in this year's number for refinancing charges in our Campofrio operations. So adjusting for that, our business is very good. Most of the numbers are up, Poland is doing excellent, and beyond that the international hog operations that we look at our international business more holistically from a vertically integrated basis.

The hog raising business is doing terrific. That shows up in the – that shows up in our hog production numbers, not in our international numbers, and it is going gangbusters. I couldn't be more pleased because of the liquidation that's occurred both in Europe and in Mexico.

Those have resulted in sharply higher live hog prices, and we have seen those operations go from losses last year to very strong profits this year, and I am extremely pleased with what's going on in our raising operations on the international side.

I'll turn it over to Bo, who's got a complete report I think on the financial side, and then I'll give you my view looking forward after Bo's comments. Bo?

Robert W. Manly, IV, Executive Vice President and Chief Financial Officer

Thank you, Larry, and good morning, everybody. It is extremely refreshing for me to announce that Smithfield recorded a profitable quarter.

I believe we've reached the other side of the longest and deepest down cycle I've experienced in my 30 years in the meat industry. I have comfort that we're on the upside of the cycle.

The CapEx and one-time expenses of restructuring are largely behind us and the benefits have begun to fall to the bottom line, particularly in packaged meats. The improvements made to the Smithfield Virginia plant in the last quarter, coupled with the closure of the Sioux City fresh meat plant in April will improve the dynamics of our fresh meat business on the East Coast and Midwest.

Our international meat businesses are profitable and improving. Our overseas hog production companies and joint ventures were solidly profitable. Butterball and turkey operations have reversed prior year losses and losses in domestic holiday operations decreased significantly. But we're still in choppy water and, however, as we look at forward markets, it does appear that the wind is no longer in our face.

Before I get to the body of my comments I would like to first cover housekeeping issues for the quarter. Last year's third quarter contained 14 weeks, impacting quarter-over-quarter volume comparisons by 7%. Pork group restructuring charges in the quarter were $4 million and 85 million in the same quarter a year ago.

The announced closure of our Sioux City, Iowa fresh meat plant resulted in a $13 million charge for the quarter. Finally, equity income in affiliates reflects a $12 million refinancing and other one-time charges flowing from Campofrio.

Total company sales decreased 14% for both the third quarter and nine months year-to-date compared to the same periods a year ago. The extra week in the third quarter of last year accounts for half of the quarterly sales decline and almost 20% of the nine month sales shortfall.

When adjusted for the extra week, volume declined in both fresh pork and packaged meats for the quarter by 7%. The nine month year-to-date packaged meats volume fell a similar 7%, while fresh pork volume declined 6% compared toperiod a year ago. This reflects marginally less live animal availability and efforts to rationalize sales and forego lower margin fresh meat and packaged meat business.

International sales were up 3% for the quarter with lower prices driving a 19% volume increase. For the first nine months, however, large negative currency changes reduced international sales by over 260 million. This offset a 14% volume increase and resulted in a net decline of 14% in sales compared to the same nine months a year ago.

Quarterly and year-to-date tonnage increases were driven by gains at Animex in Poland. Third party sales in hog production are beginning to reflect fewer pounds sold due to the trimming of our herds.

Adjusted for the extra week, domestic tonnage was down 3% and 4% compared to the prior quarter and nine months, respectively. Declines in sales in the other segment reflect lower turkey output and sales of our remaining cattle inventory a year ago.

Our consolidated third quarter operating profit was $97 million compared to a loss of $136 million a year ago and an improvement of $95 million compared to our second quarter. The year-over-year quarterly improvement of $232

million was driven by continued strong performance in the pork group and a $198 million turnaround in hog production. Hog production results a year ago represented the low point in our hog production financial cycle.

Pork segment profits for the third quarter and first nine months show improvement of 23 million and $143 million, respectively. These results are before restructuring and 14th week adjustments. Restructuring and plant closure charges for the recent third quarter were 17 million and 85 million in Q3 of fiscal 2009.

After restructuring, the Sioux City charges and the 14th week adjustment, pork segment operating profit actually declined 29 million to an adjusted $170 million for the quarter and an increase of $99 million for the first nine months to an adjusted operating profit of $454 million.

The decline in quarter-over-quarter profits in the pork segment is due in large part to rising pig prices squeezing margins. While the profit decline is disappointing, we are very pleased that packaged meats margins were maintained at $0.18 per pound in the third quarter compared to an adjusted $0.19 per pound in the third quarter a year ago.

International segment operating profits declined $1 million quarter-over-quarter impacted by $12 million in Campofrio debt restructuring, and discontinued operations charges offsetting profits of seven million and improved profitability in Animex. The year-over-year improved nine months performance was driven by Animex results.

Absent charges in Campofrio, all international operations led by Animex performance were profitable, except for Romania. However, overall integrated results in Romania to include farms were profitable.

The 198 million quarter-over-quarter lower losses in the hog production segment represents the combined improvement of live hog markets rising from $40 per hundredweight to $44 and a decrease in cost from $61 per hundredweight to $51. These costs are net of interest.

Nine months year-to-date have declined from $61 per hundredweight a year ago to $54 this year. Year-over-year volume with 14th week adjustment in the third quarter declined 3% from 4.8 million head produced last year to 4.6 million head this year. Our domestic hog production efficiencies have improved year-over-year, as has overall efficiencies for the swine production industry.

Our hog raising costs, particularly in the East Coast, will likely be negatively impacted in our upcoming fourth quarter by $0.01 or so due to poor grain quality in the Eastern corn belt. International swine operations in Poland, Romania and Mexico grew from a loss to solid profits with $98 million in improved profitability in the current nine months compared to a year ago.

The other segment improved operating profits reflects improvement in turkey operations on a quarterly and year-to-date basis compared to the same periods a year ago, and finally the sell-off of our cattle inventories. The corporate segment reflects greater performance compensation in the third quarter compared to the prior period.

While nine months year-to-date results also reflect increased performance compensation, but this was more than offset by significant gains in life insurance valuations compared to losses in valuations in the prior year. SG&A expenses decreased $8 million in the third quarter of fiscal 2010 and 44 million for the nine months compared to the period a year ago.

Expense improvements were driven by the impact of restructuring, Romanian subsidies, lower legal expenses, timing of marketing and promotional activities and the extra week.

Interest expenses increased for the quarter and year-to-date are associated with our new borrowings. We estimate a full year fiscal 2010 interest expense of 265 million. Today, the full year interest expense estimate for fiscal 2011 is 255 million.

Our equity investments in affiliates demonstrated an improvement in the quarter just ended of $24 million compared to the same period a year ago. For nine months year-to-date the improvement totaled 72 million with the exception of the impact of charges within Campofrio mentioned earlier. All investments, Butterball, Campofrio and our two Mexican joint ventures were profitable, and showed improved performance for the quarter and year-to-date compared to prior

periods a year ago.

Depreciation and amortization for the quarter just ended totaled $58 million and $178 million for the nine months. This compares to 70 million and 207 million in the same periods a year ago. Depreciation is down for prior periods due to historically low capital expenditure rates in the last two years, as well as write-offs of assets associated with corporate restructuring and farm closures. We project full-year depreciation for both fiscal 2010 and 2011 to be $240 million each year.

We continue to maintain a high level of discipline around capital expenditures with total spending of 38 million for the quarter just ended and 136 million for the nine months ended in January. With projects already in the pipeline, we continue to anticipate CapEx for the fiscal year to fall below 200 million, equivalent with spending last year, and well below current depreciation levels. We expect capital expenditures to move to levels equivalent with depreciation in the coming fiscal year as more normal earnings levels are achieved.

Our effective tax rate for the third quarter was a negative 27%, and we project a positive 48% for the full year. For a non-accountant dressed as a CFO, and please, no one comment that the emperor has no clothes, to get back money from Uncle Sam when you've recorded a profit is hard to get my arms around, but suffice it to say that favorable tax treatment on foreign income, catch-up timing and true ups for prior tax periods can result in a negative tax rate in a quarter with a low level of profitability within a full year period of loss.

Smithfield expended a great deal of time and energy during the past 18 months strengthening our balance sheet. Our goal is to continue to reduce debt. Debt, net of cash, at the end of the third quarter stood at $2.602 billion, down 185 million since the beginning of the fiscal year, as well as a reduction of $1.224 billion net of cash since the beginning of fiscal 2009.

Our debt to capitalization ratio at quarter-end remained at 51%, steady with the end of the second quarter, but down from 53% at the beginning of the fiscal year.Net of cash, our debt-to-capitalization ratio at the end of the third quarter remained flat with Q2 at 47%, but down for the last nine months from 52%.

Liquidity remains strong throughout the quarter. Available cash and ABL facility drawing capabilities were 1.053 billion at quarter end. Total liquidity declined during the quarter 160 million, mostly due to seasonal decreases in borrowing base calculations.

We remain very aware and respectful that we are carrying expensive cash from our earlier equity offering as an insurance policy against the vagaries in the earnings of our hog production segment. Now that we see light at the end of the tunnel, we can begin to turn our available cash to better uses to include more normal CapEx spending levels and potential retirement of bonds if opportunistically priced.

Hedging activities during the quarter resulted in a loss of $9 million principally associated with grain positions. The pork group continues to evaluate the claim associated with the fire in July at the Patrick Cudahy facility. We are working closely with our group of carriers and are confident we will successfully resolve the claim on terms fair to the company.

We continue to provide seamless service to our customers through available capacity at other facilities, albeit with some level of added cost and less than full efficiency. No direct loss from the fire, nor gains from insurance proceeds have impacted our results.

At quarter end, outstanding shares remain at 165,835,632 shares.

In closing, I would like to recap that we have completed our financial restructuring. We're in the final stage of our pork restructuring, and the benefits are hitting the bottom line. We are now looking for more marketing opportunities to grow our top line.

We have downsized our domestic swine production business and are looking at ways to reduce cost and improve efficiencies. Our Butterball turkey operation has move from losses to profits.

Our international operations, packaged meats, fresh meats and swine production demonstrate solid performance and profits as well. We have a lot more work to do in many areas, but our past labors are beginning to bear fruit.

I thank you very much for your time and attention and now back to Larry. Thank you.

C. Larry Pope, President and Chief Executive Officer

Thank you, Bo. I hope you took note of that, Bo gave you an awful lot of information there and I know many of you are interested in some of the numbers to fill in your models and I think we try to provide as much of that as we probably can.

Looking forward, I clearly am more optimistic than I have been in a very long time. As Bo indicated, we have been through a lot of struggles. We have made tough decisions on our hog production operations, which we are continuing to make more even as we speak.

We've made tough decisions relative to plant closings that needed to be done. Those have been accomplished and accomplished successfully. So I feel like that looking forward, we don't have nearly the mountain to climb that we had in the past.

We are experiencing some near-term impact of this inferior corn on our hog raising operations and I believe that our fourth quarter profitability in hog raising will not be as strong as I thought it might have been. Additionally, the cost shift that's associated with this higher priced meat is moving through our processing business, and prices will adjust.

I'm not concerned about that, it's just the timing of when those adjustments occur. Fundamentally we have a very sharply improved operating cost environment in this company. In every area of this business, except borrowing cost, our cost structure is improved and continuing to improve. As Bo said, we are not finished.

We fully expect to drive significant cost out of our raising operations even going forward. However, that will not happen in a 12-month period. That will take several years due to the lifecycle and the construction issues associated with changing livestock raising operations.

I believe that we've weathered these two tough years and we're a better company as a result of it. Our discipline relative to capital spending, debt repayment have both improved our liquidity and leverage ratios to the best levels in many years. We have focused on right-sizing our operations, we have for a number of years focused on our packaged meats business and have been fine-tuning our operations overseas by stopping the growth curve, as we saw this wind coming.

We are now benefiting from that stopping and fine-tuning those costs which are showing up at the bottom line in our overseas operations. I believe as these markets return to more historical levels that this company is well-positioned to deliver some very strong earnings going forward.

I think you saw in my final comments I made on the outlook in the press release how I am optimistic and how I believe that this is going to benefit us all of this going forward. We do need a little market help here from this, we don't need the ethanol thing to blow up and cause the raising costs on the hog production side to go against us.

But outside of that, the management team of this company and that's not speaking of me, that's speaking on the people who drive this business every day, have done a yeoman's job and I'm extremely pleased with this management team in every area from our corporate people to our IOCs to our international operating people. They have had their nose to the grindstone and they have paid the price and hopefully we are now about to see the real benefits.

With that, Keira, we'd be glad to take any questions anybody might have.

Keira Ullrich, Director of Investor Relations

Thank you, Larry. Operator, please open the line for questions.

Q&A

Operator

[Operator Instructions]. First question comes from the line of Christina McGlone, Deutsche Bank. Please go ahead.

<Q - Christina McGlone>: Thank you. Good morning.

<A - C. Larry Pope, President and Chief Executive Officer>: Good morning.

<Q - Christina McGlone>: Larry, I wanted to get your opinion on demand for pork, now that pork prices have risen so much and the dollar strengthened a bit, are you still seeing strong demand out there?

<A - C. Larry Pope, President and Chief Executive Officer>: I assume you mean in the case of that, I'm not sure whether you're talking about international and export demand or whether you're talking about domestic demand?

<Q - Christina McGlone>: Everything, domestic and international overall.

<A - C. Larry Pope, President and Chief Executive Officer>: [Laughter]. I would tell you that I think demand on the domestic side is flat. Clearly, when you see these prices shoot up like they have in the last not even 45 days, less than that, 30 days, there are impacts in terms of how you get features back. And I think I'd tell you that the food service demand and pricing here has about gone flat on us. So the downward decline has stopped. And so I would tell you that pork is still a, in my mind, still a very cheap commodity, particularly things like pork loins, where we have seen the export demand in Japan, which is a big market, has fallen off pretty significantly and that's put a lot of pork loins back in the U.S. market. So pork is really pretty cheap in this country. And so demand is still solid there. Well, it really hasn't ever fallen all that much.

On the export markets, I think the inverse is happening. It has gone up and the dollar. We are seeing some resistance on the export market, particularly some of the things that we sell like hams, hams have moved up very sharply. And you are seeing some of our markets overseas, who are resisting or outside of the U.S., Mexico is a big market, so that's not really overseas. But those export markets are resisting some of those higher prices and so I think – and I think I predicted this two years ago, that what will happen is that the meat will move up and the first markets that will see the impact will be the export markets because we won't be as competitive.

With that being said, pork is high priced everywhere. It's not cheap in Europe either. So when these customers overseas look for a source of imports, they've got to look somewhere and pork in Europe is higher than it is in the United States. So we're still priced competitive, just not as competitive.

<Q - Christina McGlone>: Okay. And thank you for that. And then can you go over your comments on packaged meats again? I was confused, I think obviously there's going to be pressure on margins because of the pork prices going up, but then you said you've already kind of addressed it or – should we see a sequential fall? I just wanted to get your view again on packaged meat margins?

<A - C. Larry Pope, President and Chief Executive Officer>: I think we could see some decline in the packaged meats margins in this fourth quarter. Let me say again, what I said to you guys last summer and fall and I think Mr. Manly reiterated that, we had a target in this company of making $0.10QUESTION AND ANSWER SECTION

a pound. We are far in excess of that $0.10 a pound and these levels that we're seeing even at $0.10 are far beyond what we dreamed of four years ago. I told you that these margins would decline once these meat prices moved back up. I don't expect, as Bo indicated, we've got margins in the $0.18 a pound operating profit level, I can't expect when these hams move back up and bellies and trimmings move back up significantly, I don't expect them to stay in that $0.18, not in the fourth quarter and not going forward.

But what I do expect, hog production is going to be more profitable. Our fresh pork business is going to be solid and our packaged meats business will probably move, I think we will easily it's safe to say maintain our $0.10 and well

above our $0.10. But I don't think we'll maintain $0.18 fourth quarter or next fiscal year. Bo, you have any comment on that?

<A - Robert Manly, IV>: I'd like to say that really the opportunity for us now is more to try to grow the top line, Larry, albeit perhaps at a profit level below that $0.18. I think that's really where we'll drive absolutely the bottom line is by selling more pounds as we come out of the restructuring with a leaner, meaner operating platform.

<A - C. Larry Pope, President and Chief Executive Officer>: From a company standpoint and this is a bigger statement, what I've told our organization is calendar year 2009 was a restructuring year. Calendar year 2010 I'm looking at calendar years, is when we're tweaking the model, that's when we're closing the final plants. We're shutting down Sioux City. We're adjusting our operations to get the cost finally out of all this and get the benefits of the 125. At the same time, we're putting in place the marketing plans so that we're ready and beginning to roll out marketing. And I think you won't see the real benefit of that until calendar year 2011, but I assure you, we're already on it.

It takes time to get those things into place and get those plans developed and out into the customer – into the marketplace and effective. So that's the way, I think 2009 was restructuring, 2010 is tweaking and you may see some margins. You may see a little bit of margin erosion on the processed meat side. But as Bo said and our organization knows clearly, we're going to top line growth now and we're changing some things even in the way of compensation to account for the fact that this is going to move. We're going to focus on top line or not giving up the bottom line, but we know we've got to get the top line. We know that.

<A - Robert W. Manly, IV, Executive Vice President and Chief Financial Officer>: And we also know that we should have some benefits coming to us as we work through the Patrick Cudahy issues in this coming year, the tremendous fall off in activity there, but plans are to come back strong.

<Q - Christina McGlone>: Great. Thank you very much.

<A - Keira Ullrich, Director of Investor Relations>: You're welcome.

Operator

Question comes from the line of Ken Goldman, JPMorgan. Please go ahead.

<Q - Kenneth Goldman>: Good morning. Larry, given where hog and corn prices and futures are today and given your hedging situation, whatever that is, would you be disappointed if you earn less than $2.00 next year?

<A - C. Larry Pope, President and Chief Executive Officer>: [Laughter]. Would I would be disappointed? Mr. Poulson, that sounded like a prediction. That sounded a lot like a projection, Ken. [Laughter].

<A - Richard Poulson>: Ken gave you his projection, what's yours?

<A - C. Larry Pope, President and Chief Executive Officer>: [Laughter]. Ken, I guess I would tell you that I think that the answer for you from me is, yes, I would be. Now whether I'll make that, I will tell you I have lofty goals in life, so I'm oftentimes disappointed in the world. But I mean I think you're certainly in the right ballpark. As I look at it, but I swear, guys, we got to be careful here because these markets move a lot fast as they have changed, my goodness gracious, the cash market has moved so fast on hogs in the last 30 days, I'm still trying to keep up. So don't take that as $2.00 projection, as a prediction. But I mean I think we have good times in front of us, the numbers we look at today look good.

<Q - Kenneth Goldman>: And then vomitoxin, very quickly, you talked about the negatives, but there's a positive as well in that you get lighter hogs and less pork and higher hog prices across the board. You talked about I think you said it's a penny in cost. But isn't it going to be a bigger benefit overall than it will in costs, or am I thinking about that the wrong way?

<A - C. Larry Pope, President and Chief Executive Officer>: I think it's easiest to figure the costs, I think it's harder to define the benefit. Bo?

<A - Robert W. Manly, IV, Executive Vice President and Chief Financial Officer>: I agree with you. You're right in terms of your analysis, there should be less tonnage of fresh pork coming to the market and that is always beneficial. I think we're in a market that is more driven by supplies today than it is demand in terms of the balance of margin. I think the other thing we haven't mentioned here is we have probably the best freezer situation we've ever had.

<A - C. Larry Pope, President and Chief Executive Officer>: Yeah.

<A - Robert W. Manly, IV, Executive Vice President and Chief Financial Officer>: And I can remember in a long, long time. Chicken is down, beef is down, pork is down. We have very, very low levels of bellies, very, very low levels of hams and that will very – that will be supportive as we move forward through this year.

<Q - Kenneth Goldman>: Thanks, gentlemen.

Operator

Question comes from the line of Vincent Andrews, Morgan Stanley. Please go ahead.

<Q - Gregory Van Winkle>: Good morning. This is actually Greg Van Winkle stepping in for Vincent today. You highlighted in your prepared comments that the lean hog curve has made a pretty good run, at the same time the sow slaughter has dropped off pretty substantially in the last month or two of data and breeding herd productivity seems to be pretty good. And so it seems like maybe the stat is indicating that the herd contraction is not going to be quite as large as a lot of people initially thought it needed to be. So I just wanted to get your take on where you think we are from a herd contraction and supply demand standpoint and how concerned you are about the sustainability of the hog curve?

<A - C. Larry Pope, President and Chief Executive Officer>: Well I would tell you, Bo can have his own thought, the liquidation has not, we've not have had as much liquidation as I would have hoped we would have had. And I think I've been saying that now for a long time. I still think we need more liquidation, but I will tell you the other side of that, I think liquidation stopped. I don't know, Bo unless you know something, I don't know of any significant liquidation going on, I'm not sure enough was going on before. But I don't know of any going on today. So I wish we still had some more liquidation going on.

But the other side is we've had extraordinarily good performance and there is some pers out there, that has heated up in some areas. We're not experiencing much of that, but there are people who are experiencing that. We have had extraordinarily good performance out there in the herds across this industry. At some point there's going to be disruption in the performance of these animals. But we've had very good numbers and so that could have the same impact as liquidation. This vomitoxin issue that we just talked about, could have the same impact as liquidation. So I think it's hard to predict, these are all long cycle. But I think the hog cycle is going to be okay for a while now. Bo?

<A - Robert W. Manly, IV, Executive Vice President and Chief Financial Officer>: I think as you pointed, all indications are that there has been some slowdown in sow slaughter, perhaps indicating a movement away from hard liquidation. But I would coach you to look more closely at the slaughter rate as a percentage of the sow inventory rather than absolute numbers compared to last year. I think it's going to be much more relevant as we move into sort of the new territory of highly productive sows, different operating configurations to look at the sow slaughter not compared to a year ago or five years ago, but what is it compared to our sow herd to look at reflections of increases or decreases in productive capacity.

<Q - Gregory Van Winkle>: Okay. Thanks a lot, guys.

Operator

Question then comes from the line of Farha Aslam, Stephens Inc. Please go ahead.

<Q - Farha Aslam>: Hi good morning.

<A - C. Larry Pope, President and Chief Executive Officer>: Farha.

<Q - Farha Aslam>: Hey, Larry, with all the changes you're making with your hog operations, could you – and pork operations, could you share with us volume expectations, particularly what you're thinking for the fourth quarter and for 2011 for your fresh pork, your packaged meats and your hog operations?

<A - C. Larry Pope, President and Chief Executive Officer>: I don't know that I have those numbers. Farha, what I would tell you is that, let me help you with a couple of numbers, Bo, and maybe you can do this – Farha, maybe we'll just hold that for five minutes and see if Bo can do some back-of-the-envelope calculations. What I do know that is that we're still on 12 or 13,000 hogs in Sioux City. We will be doing that all the way through the quarter. So that's not going to have any impact on the fresh pork, hog volumes for the rest of the fiscal year, that's going to have the impact starting next fiscal year when it's going to be 13,000 less and I think we'll pick up some of that in our other operations. But I think eight or nine or 10,000 of those a day will disappearQUESTION AND ANSWER SECTION

will disappear from our operations and that represents about 8% of our – 8% of hogs will be down. And that's progress on the fresh pork side. We are down on the processed meat side, but I think that we will grow the processed meats next year over our current run rate, which is the 7% down. That's not the same thing as a year, but over our fourth quarter run rate I think we will recover. We will recover some of that – so if you take the fourth quarter run rate and improve that by two or three or 4% next year, I think that's where we'll be. Does that help you?

<Q - Farha Aslam>: Yes. And then and just one follow-up on your – you gave us the margins per pound on your fresh meats. Could give you us the same thing, sorry, on packaged meats, could you do the same thing for fresh meats?

<A - C. Larry Pope, President and Chief Executive Officer>: We don't think about fresh meat in terms of cents per pound. We think about per head, so I think you can do – it's not very complicated, you can do fourth grade math here. We killed 30 million hogs, which is 7.5 million a quarter, real simple, if you look at the $7.5 million in the quarter for operating profits, divide that by 7.5 million head, you get $1.00 a head. That's the real simple math. Now you have to add back $14 million of restructuring, which is the announced closing the Sioux City plant and we calculated about $22 million or approximately $3.00 a head.

<Q - Farha Aslam>: Okay. That's helpful. Thank you.

<A - C. Larry Pope, President and Chief Executive Officer>: You're welcome.

Operator

The next question comes from the line of Christine McCracken, Cleveland Research. Please go ahead.

<Q - Christine McCracken>: Good morning.

<A - C. Larry Pope, President and Chief Executive Officer>: Hi, Christine.

<Q - Christine McCracken>: Larry, you talked about the increases we've seen in pork values here, the cut-out has gone up pretty sharply over the last several weeks. I'm wondering, we haven't really seen it show up at the retail shelf. I'm wondering have you had conversations with retailers and when might we see this increase show up to consumers and therefore be able to gauge demand?

<A - C. Larry Pope, President and Chief Executive Officer>: I'll tell you, Christine; I think that the retailers have done very well on pork for a long time here now. I don't think retails have to change. I think margins may decline a bit here. I mean I'm not going to talk about any customers on this phone because they're all good customers. But I have seen some retail pricing that is – there's some nice margins in there for retailers, let's just say that. So as this moves up I think you're going to see retailer margins squeezed a bit and I still don't think you're going to see a lot of retail price

changes to the consumer.

Still don't think the consumer is going to see that for a good while. Because I say, I think that you're going to see some of the export markets, export opportunities fall off first, then ultimately when we have this meat that we've got that shortfall it will go to retail. But I think we're probably still a good ways away from that, Christine.

<Q - Christine McCracken>: But don't you think, Larry, I mean if you listen to the retailers' conversations around price deflation, obviously they're trying to fight that. I think they would be pretty quick to pick up on higher cost pork as a way to kind of push that top line?

<A - C. Larry Pope, President and Chief Executive Officer>: You mean from their side?

<Q - Christine McCracken>: Yeah. I find hard to believe that they're willing to sacrifice margin completely given – are they covered, is it that you've sold forward a lot product and therefore...

<A - C. Larry Pope, President and Chief Executive Officer>: You know this industry does not do – you know this industry does not do long-term forwards, you know that. So it's not that issue at all. But there's still a lot of meat out there, Christine.

<Q - Christine McCracken>: All right.

<A - C. Larry Pope, President and Chief Executive Officer>: Still a lot of meat and I think some of the meat that's not being sold, the most obvious example there is pork loins. Pork loin pricing is nowhere near where it needs to be from our side because we don't have the Japanese business as the ultimate market. We do anticipate Japan picking up later in this calendar year, we expect that to pick up and that would impact the pork loin market. But that item today is still cheap, even as this cut-out has moved up, pork loins have not moved up proportionately with these hogs. They're still cheap.

<Q - Christine McCracken>: All right. I'll leave it there. Thanks.

<A - C. Larry Pope, President and Chief Executive Officer>: You're welcome.

Operator

Thank you. Your next question comes from the line of Akshay Jagdale, KeyBanc. Please go ahead.

<Q - Akshay Jagdale>: Good morning.

<A - C. Larry Pope, President and Chief Executive Officer>: Good morning.

<Q - Akshay Jagdale>: Larry, can you just talk a little bit about packaged meats? What is the normal profit level that you expect going forward if it's not $0.10 and what has changed fundamentally in your business since you gave that guidance for $0.10 that now it is more profitable? Can you give us a little bit more insight into that?

<A - C. Larry Pope, President and Chief Executive Officer>: Yeah. I mean when you have real cheap raw material, when you got $30 hogs and low 40s hogs that ends up with very cheap hams and very cheap bellies and you can make some money selling it as a hot dog, bacon and hams. So we made extraordinarily good margins. With that being said, I think we have had a focus in this company I continue to say that and have been saying this now for several years that this organization has changed the mindset. We're disciplined from a sales standpoint.

I think George Richter and the pork group's team have done an extraordinarily good job of getting their cost structures down, so some of the benefit, it's not just pure raising prices. We just can't go out there and raise prices, we've got to drive our costs down and they've done a great job, but I would say it's our manufacturing side, it's restructuring the capacity, it's our strategic sourcing of buying our input materials for the product manufacturer. These guys have done extraordinarily god job and so we've driven our costs down, pushed our margins up, then we've cut off, I think Bo made reference to that, we've cut off some low margin business, it's hurt our sales volumes, we're down 7%, we walked away

from unprofitable business, that brings the rest of the business average up.

Now with that being said, I'm not satisfied with losing seven or 8% of all the volume, we want to be a company on the growth side. We've got to now market that. So I think maybe I underestimated the potential that we have from a cost savings and a sales discipline and the numbers have turned out much better than I thought. However, do not plan on 18 and $0.19 a pound going forward in packaged meats. Do not count on that, they will be lower than that. And unless I'm once again surprised they will come down. You agree, Bo?

<Q - Akshay Jagdale>: Okay. So what – is there a number we should look at? If it's not 18 and it's not 10, is it somewhere just in the middle, is that a fair assumption?

<A - C. Larry Pope, President and Chief Executive Officer>: I would tell you it's north of 10 and my number that I would tell you to think about is like 12 to $0.13.

<Q - Akshay Jagdale>: Okay. And one just on the hog production business, I mean you've talked about the cycle turning, but I believe on the last conference call you had said that you don't expect an adequate and when I say adequate return, about $15 a head on this business at least for the next few years. Has your view changed? I mean what is an adequate return, I'm getting to $15 a head based on a 10% return on your capital invested there, but what is a normal or adequate return on that business and when do you think you will be able to get there given the supply and demand dynamics that we see today?

<A - Robert W. Manly, IV>: You're asking some questions that are way more specific, than frankly we would give you. I think your estimation in terms of where the historical numbers and normalized numbers are for the business, were in that 10 to $15 range. When we're going to get there, there's a whole bunch of dynamics that I find very difficult to give you a prediction on that, Akshay.

Going back to some questions that were asked earlier, we're looking as we looked at next year, we've got about a 3% increase in tonnage in our packaged meats in our model. We're looking at about a 2.5% decline in slaughter volumes and about a 5% decline in our hog production volumes. I hope that satisfies, Farha, some of your questions.

<A - Keira Ullrich, Director of Investor Relations>: Operator, we'll take the next question please.

Operator

Yes ma'am. The next question will come from the line of Robert Moskow of Credit Suisse. Please go ahead.

<Q - Robert Moskow>: Thank you and congratulations on a good quarter. I want to know a couple more details about your growth plans, Larry. You've done a great job in rationalizing the business and improving the profitability of packaged meats, but how do you grow packaged meats? It used to be you put a lot of CapEx into precooked items and then I think thatQUESTION AND ANSWER SECTION

and I think have kind of improved the value add, but are you going to bid more aggressively for new business with new customers, is it more business with existing customers, is it just leveraging some brands like Armour and Eckridge that maybe were under-leveraged before? Can you give us some kind of a little bit of a roadmap there?

<A - C. Larry Pope, President and Chief Executive Officer>: I would tell you, that's more than a five minute discussion there. I could show you our marketing plan and you wouldn't get through it in a half a day. The fact is that we have taken a – we've taken a strong look at our brands. We've taken those 100 brands that we've rationalized now what we're going to spend marketing dollars to make those brands. Those brands attract consumers. So that people when go into – go into the stores, they go in to buy our product, not just buy a pound of bacon, buy our bacon. Not just to buy a ham, buy our ham. Beyond that is we'll work with our customers, our retail and food service because we oftentimes forget about food service. Food service is a big, big piece of this business and part of our growth is to convince these retailers that our product is better than – carrying our product is better than a private label or somebody else's, sell the regional values of our regional brands, which are extremely are good brands in regions of this country.

And so I think that we support those with marketing plans that support the retailers that allow them to make more money as a result of that. I think we have a host of – a host of options. Now again, these things take time and that's why I'm telling you that's a little bit in the future, not today. But I think that we will have, just as we had with the pork group, I think we have a solid plan that's coming together and I think ultimately we got to take market share from somebody else or either we got to convince the consumer to buy more pork and we got to do both of them. And it's going to be profitable. I'll tell you, our one position we're taking is that if we're going to take on new business, it's going to be profitable business. We're not going to take on loss leading business.

<Q - Robert Moskow>: And you talked before that your vision of becoming known as a branded meat processor akin to the Oscar Mayers of the world. What kind of investment are you planning on making in the coming months? Do you need to spend more on people, market research, like do you have to hire branded expertise in order to do this?

<A - C. Larry Pope, President and Chief Executive Officer>: I don't think you're going to see us – I've told people this is going to be an evolution, not a revolution and you're not going to see us go out and wholesale add a big marketing staff to this organization. That's the way to throw away big money fast. We're not going to do that and I think we have as we've looked through this organization and we've put together the sales organizations coordinated, we've got a lot talent. We've got a lot of cooperative efforts going on now.

And again, this is an evolution. So I don't think you're going to see a big blast of [inaudible], I think you're going to see just as we said with the processed meats three years ago, I told you we had a focus in the packaged meats business, we would move it, I'm telling you we have a focus on the top line. This will be an evolutionary process and hopefully over the next two years I'm talking about the top line growth that's occurring.

<Q - Robert Moskow>: Okay. Thank you very much.

<A - C. Larry Pope, President and Chief Executive Officer>: You're welcome.

Operator

Thank you. Your next question comes from the line of Ken Zaslow, BMO Capital Markets. Please go ahead. Mr. Zaslow, your line is open.

<Q - Kenneth Zaslow>: Can you hear me?

Operator

Yes.

<Q - Kenneth Zaslow>: Great. Good morning, everyone.

<A - C. Larry Pope, President and Chief Executive Officer>: Good morning.

<A - Robert W. Manly, IV, Executive Vice President and Chief Financial Officer>: Good morning.

<Q - Kenneth Zaslow>: Through all the years the one question I've never asked is what is the maximum amount of hogs Smithfield can sell forward?

<A - C. Larry Pope, President and Chief Executive Officer>: What in the world kind of a question is that? I'm not sure I understood – you mean what kind of futures position could we take on live...?

<Q - Kenneth Zaslow>: Yeah. I want to understand, there might be a limit to like can you sell all your hogs forward, can you only sell – I mean I don't know what the limits are, I never thought about it, but I was just thinking about it the other day?

<A - Robert W. Manly, IV, Executive Vice President and Chief Financial Officer>: I think, Ken, in reality you've probably got somewhere around a four to six month window with which there's sufficient liquidity, not necessarily that there are restrictions, but there isn't sufficient liquidity to go out much further than six months in terms of an actual position. You might be able to find people that could do some strange derivative contracts, but using conventional methods you're really limited to about four to six months worth of forward.

<Q - Kenneth Zaslow>: Okay. Earlier in one of the questioners asked, they asked you about the liquidation, you said a little bit less than they expected. What do you think the key drivers of the higher hog prices are and are those drivers set to continue?

<A - Robert W. Manly, IV, Executive Vice President and Chief Financial Officer>: I think key drivers I mentioned before, I don't think it's as much demand as it is supply. And I think that the stage is set with some marginal amounts of production coming through the system from a live animal perspective. I think USDA would project we're going to be down two to 3%. We also are continuing to get benefits by fewer Canadian hogs overhanging our system, as well as fewer hogs in Mexico as well. So North America is going to have less meat available to it and we've got the best position, as mentioned before, in the freezers that we ever have across all proteins. So chicken production and supplies are down, beef production, supplies and inventories are down, that all bodes well for us.

<Q - Kenneth Zaslow>: Okay. And my last question is, China reopening, does that change the growth or net exports to Asia, just again it looks like – would that really change any of the dynamics, well I think Russia might, the opening of China, will that really do anything? It seems like about 80 or 90% of the hogs or the pork has gone through Hong Kong, just your perspective on the materiality of China reopening?

<A - C. Larry Pope, President and Chief Executive Officer>: Well the only – and I'll be quick with that, it still represents a net increase opportunity there because of the muscle cuts that could go through the mainland. So yes it does represent opportunities.

<Q - Kenneth Zaslow>: Great. Thank you very much.

<A - Keira Ullrich, Director of Investor Relations>: Operator, we're going to have to end the call here and I'm going to turn it back over to Larry who will make some closing remarks.

C. Larry Pope, President and Chief Executive Officer

Thank you, Keira, and thank you again. It's refreshing, as Bo said, it makes you feel good to finally be out of talking about losses and losses and talk about profits and talk about the future and talk about the opportunities going forward.

This has been a struggle period for many of you as you've watched us work through these many changes that we've tried to effect. I am pleased with this organization. They have done a good job. I am pleased with where we're at.

We do see our focus beginning to shift towards the top line instead of the bottom line and we are continuing to focus on our live production operations, which we've still got some opportunities there that we need to mine. I am optimistic the recession is reversing and that some of the demand will be coming back.

We see some nice opportunities overseas as these markets open up for us, but they have to open. The only negative is this EPA decision relative to ethanol that could certainly throw a monkey wrench in all of this costing process and we're keeping a close eye into that. And hopefully smarter minds and the science will dictate, but I don't know.

With that being said, I think we've got a good future, a bright future and I'm optimistic and very optimistic about where we are positioned going forward. Thank you very much.

Keira Ullrich, Director of Investor Relations

Thank you, everyone.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.